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## **Canada**

### **Agricultural Situation**

## **This Week in Canadian Agriculture, Issue 40 2002**

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#### **Report Highlights:**

"What's New, Eh?" \* Policy on the Addition of Vitamins and Minerals to Foods Enters next Stage \* Canada's Cattle ID Program Showing Benefits \* Bright Outlook for Canadian Pork Exports to Mexico \* Vanclief Tells Harvard Audience Global Subsidies Hurt All \* Canada Pleased with the European Union Decision on Grain Import Regime \* Jail Decision Hijacking Election Process, Charges CWB \* Government of Canada Likely to Reject CWB Experiment \* Government Hopper Car Ownership Decision Soon, Says Transport Minister \* Grain Shipment Resumes at Port of Prince Rupert \* Trade Mission to China Expand B.C. Forest Products Market \* U.S. Group Funded by Canadian Tax Dollars Fights Softwood Tax \* Ontario Winemakers Predicting a Great Vintage  
...and MORE!

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Includes PSD changes: No  
Includes Trade Matrix: No  
Unscheduled Report  
Ottawa [CA1], CA

This Week in Canadian Agriculture is a weekly review of Canadian agricultural industry developments of interest to the U.S. agricultural community. The issues summarized in this report cover a wide range of subject matter obtained from Canadian press reports, government press releases, and host country agricultural officials and representatives. Substantive issues and developments are generally also reported in detail in separate reports from this office.

*Disclaimer:* Any press report summaries in this report are included to bring U.S. readership closer to the pulse of Canadian developments in agriculture. In no way do the views and opinions of these sources reflect USDA's, the U.S. Embassy's, or any other U.S. Government agency's point of view or official policy.

**POLICY ON THE ADDITION OF VITAMINS AND MINERALS TO FOODS ENTERS NEXT STAGE:** Health Canada has released a consultation document to stakeholders concerning the fortification of foods with vitamins and minerals. According to Health Canada, comments received before December 15, 2002 in response to these proposals will be considered in drafting proposed regulations to be published in Canada Gazette Part I, next October. Health Canada initiated a review of its policies concerning the addition of vitamins and minerals to foods in January 1998 in response to concerns that current regulatory controls on the addition of vitamins and minerals to foods are overly restrictive. Furthermore, it acknowledges the issue of consumer demand for products available in the United States and other countries where there are fewer or different regulatory controls. For a copy of the full consultation document, go to the Health Canada website at: <http://www.hc-sc.gc.ca/food-aliment>

**FEEDLOT OPERATORS WANT MORE SAY:** The Alberta Beef Council, formed last year with a goal to broaden representation in the province's beef industry is calling for a producer vote to give a stronger voice to feedlot operators, processors and auctions. According to the *Western Producer*, there is dissatisfaction with the Alberta Cattle Commission, formed under current provincial marketing legislation. Provincial agriculture minister Shirley McClellan has reportedly asked the Alberta Marketing Council to review the Alberta Beef Council's request for a producer vote early in 2003. Presently, the provincial cattle commission collects and administers about C\$10 million annually from a C\$2 per head levy. The commission forwards C\$1 per animal sold to the national checkoff agency and provides an additional C\$600,000 annually for other Canadian Cattlemen Association programs. The Alberta Beef Council held meetings across the province this fall. Almost three-quarters of producers who attended said they wanted a new approach offering broader representation.

**CANADA'S CATTLE ID PROGRAM SHOWING BENEFITS:** According to *farms.com* officials with the Canadian Cattle Identification Program say it has been successful for performing animal health tracebacks. To date, there have been 29 health tracebacks where the Canadian Food Inspection Agency has called the Canadian Cattle Identification Agency (CCIA) with a tag number and within seconds information has been provided on the herd or origin. According to the CCIA, compliance with the cattle identification program ranges from 92 to 100% for cattle arriving at auction to between 80 and 100% for cattle arriving at packing plants. Canada's cattle industry launched its national identification system on January 1, 2001. The new system individually identifies all cattle sold with a unique number to speed up the tracing and elimination of any potentially serious animal health concerns. Under the mandatory program, an

individual ID number is printed on an ear tag that must be applied to the animal before it leaves its herd of origin. The animal's number, along with the address of the original owner, is stored in an electronic database managed by the Canadian Cattle Identification Agency. More than three years under development, the program became fully operational by July 1, 2001. For background information see CA8040; CA0057; CA0108; and CA0120.

**BRIGHT OUTLOOK FOR CANADIAN PORK EXPORTS TO MEXICO:** According to Agriculture and Agri-Food Canada market analysts, Mexico pork imports are projected to increase significantly over the medium-term, due to rising per capita pork consumption, population growth, an expanding middle-class, and an increasing domestic pork deficit. Growth of the Canadian hog industry, Canada's reputation for a consistent and high quality product, and the elimination of Mexico's pork import safeguard tariff will result in increased Canadian exports of pork to Mexico. Western Canadian hog production is expected to continue to expand despite higher feed costs this year due to the drought. Mexican pork consumption is expected to increase due to an expanding middle class, higher per capita consumption and a slight shift from beef to less expensive pork. As a result, Canadian pork exports to Mexico in 2003 are expected to surpass the record estimated for 2002. The AAFC analysts project Canadian pork and pork products exports to Mexico to surpass 100,000 metric tons by 2005.

**VANCLIEF TELLS HARVARD AUDIENCE GLOBAL SUBSIDIES HURT ALL, MAKE WORLD'S POOREST FARMERS POORER:** Agriculture and Agri-Food Minister Lyle Vanclief, addressing an audience of Harvard University officials, professors and students, on November 12, 2002 said that exorbitant farm subsidies provided by the U.S., European Union and Japan are distorting market prices around the world and are making it nearly impossible for farmers in developing countries to make a living in agriculture. Vanclief was invited to speak at the university by former U.S. Agriculture Secretary Dan Glickman, who is now Director of the Institute of Politics at the Kennedy School of Government. He discussed current farm subsidies and other supports that are widening the global divide between have and have-not farmers. Vanclief said that, through organizations such as the World Trade Organization (WTO), all countries, including the U.S., have made commitments to end trade distorting and economically damaging subsidies. In order for farmers around the world to get a fair deal, current WTO talks must go forward to a successful conclusion that includes substantial improvements in market access, the reduction, with a view to phasing out, all forms of export subsidies, and substantial reductions in trade-distorting domestic support, Mr. Vanclief told the audience. For the full text of Minister Vanclief's speech, visit: [http://www.agr.gc.ca/cb/speeches/s021112\\_e.phtml](http://www.agr.gc.ca/cb/speeches/s021112_e.phtml)

**CANADA PLEASED WITH THE EUROPEAN UNION DECISION ON GRAIN IMPORT REGIME:** According to a November 12, 2002 news release from Agriculture and Agri-Food Canada, - under an agreement reached with the European Union (EU), Canada will continue exporting high-quality milling wheat and durum wheat to EU countries without facing tariff rate quotas. On July 26, 2002, the EU notified the World Trade Organization (WTO) of its intent to place tariff rate quotas on all imported cereals. Following negotiations with Canada and other major trading partners, the EU has agreed that only imports of lower-quality wheat, feed barley and malting barley will be subject to tariff rate quotas. This means that under current market conditions, high-quality milling wheat and durum wheat will continue to have unrestricted, duty-free access to the European market. "I am pleased we have reached an agreement with the

EU," Agriculture and Agri-Food Minister Lyle Vanclief said. "The EU is an important market for Canadian wheat growers and this decision will allow them to continue trading as before." "We welcome the conclusion of an agreement that assures our traditional access to EU markets for our high-quality wheat and durum wheat," said International Trade Minister Pierre Pettigrew. "This shows that we can work together constructively to find mutually beneficial solutions to important international trade issues." "This is good news for wheat farmers in Western Canada," said Ralph Goodale, Minister responsible for the Canadian Wheat Board. "Canada exports nearly one million tonnes of high quality milling wheat and 400,000 tonnes of durum wheat annually to the EU which is approximately 45% of the EU's imports of high-quality wheat." The EU is expected to notify the WTO of the changes and implementation process so the regime can take effect January 1, 2003. The value of Canadian wheat exports to the EU over the last five years was approximately \$500 million annually.

**JAIL DECISION HIJACKING ELECTION PROCESS, CHARGES CWB:** The November 7, 2002, *Western Producer* reported that farmers who have chosen to go to jail as part of their fight against the Canadian Wheat Board are undermining the CWB's democratic structure, says CWB chair Ken Ritter. "They are hijacking the election process," Ritter told reporters Oct 31. Thirteen Alberta farmers went to jail rather than pay fines for violating the Customs Act when their vehicles were seized for not having an export permit during border running incidents in 1996. Elections for directors are now under way in five of the board's 10 electoral districts. Ritter said the timing of the legal proceedings was "fortuitous" for those promoting the election of candidates who want to end the board's sales monopoly. Ritter said the 22 candidates offer a wide range of views on all issues. Nine of them want to end the board's single desk status and change the board into what they call a "voluntary" marketing organization that would sell Canadian grain in competition with private grain companies and individual farmers. Ritter said farmers who want to end single desk selling can pursue that goal by voting for those candidates. One of those going to jail is CWB District 2 director Jim Chatenay. Ritter said the board's governance and management committee is examining whether Chatenay's conduct violates the board's code of ethics, which requires directors to act "in the best interests" of the board and not do anything to "undermine the reputation or integrity" of the corporation. That committee will report to the full board of directors on whether Chatenay's behavior merits disciplinary measures.

**GOVERNMENT OF CANADA LIKELY TO REJECT CWB EXPERIMENT:** The November 7, 2002 edition of the *Western Producer* reported that the Canadian federal government is shortly expected to officially reject a June proposal from the Liberal-dominated House of Commons agriculture committee that the Canadian Wheat Board end its monopoly for an experimental test period. Government sources say the official response to the report, to be tabled in the House of Commons as early as November 8, will take the familiar line that direction about the future of the board should come from farmers through the board of directors and not from federal politicians. In June, the committee surprised many when it recommended that the monopoly be ended "on a trial basis." CWB supporters within the Liberals, including wheat board minister Ralph Goodale, were angry at the Liberals who voted with the opposition on the Canadian Alliance proposal. Meanwhile, Goodale said farmers don't have to go to jail to protest the CWB monopoly. They simply have to convince a majority of CWB permit holders that they want marketing freedom and presto, the monopoly is gone. "If that is the democratic will of farmers, obviously the government would have to respond to it," said Goodale. "Obviously if the result of that electoral

process is to say farmers want the marketing system to change, then I believe the government would be honor-bound to respond to that and make the changes." A recommendation from the CWB board to end the monopoly would trigger a government-organized vote among permit holders. No one has yet answered questions about whether government-appointed non-farmers on the board, representing five of 15 directors, should have a vote. A farmer vote would be organized. A majority vote against the monopoly would be persuasive in the campaign to convince the government to amend the legislation. But a majority vote in favor of change would not necessarily be accepted by the government as the voice of farmers, Goodale said. He said the government would have to decide if the turnout and the margin of victory were large enough to be sure that an end to the CWB monopoly is really what farmers want. Critics say that is the problem. Farmers can express themselves but the government ultimately retains the right to interpret the results.

**OWNER OF GOVERNMENT HOPPER CARS DECIDED SOON SAYS TRANSPORT MINISTER:** According to an article from the November 7, 2002 *Western Producer*, Federal transport minister David Collenette has promised that a decision will be reached within several months as to what will happen to the government grain hopper cars. He said he wants to announce a new transportation plan before Christmas, including disposition of the hopper cars, and then table amendments to the *Canada Transportation Act* to implement the changes. Debate on the amendments will be staged during the parliamentary winter session with a government goal of having the cars moved to new owners by August 1, 2003. Collenette was commenting a day after he met a delegation from the Farm Rail Car Coalition in his Ottawa office to hear once again their view that the coalition should be able to buy the hopper car fleet for C\$1 and use it to give farmers bargaining power in the grain-hauling system. The transport minister said the farmer proposal is one of the options "on the table." He also noted that the finance department expects to receive some compensation for what it considers a government asset. He was asked if that finance department assumption of multi-million dollar compensation rules out the farmer argument that taxpayers already paid for the cars and they should be turned over for C\$1. The railways have said they would like a chance to bid for the cars in an auction. POST COMMENT: some in the industry oppose the federal government selling the grain hopper cars at anything less than book value as this could be interpreted as the conferring of a grain transportation subsidy.

**GRAIN SHIPMENT RESUMES AT PORT OF PRINCE RUPERT:** According to the Canadian Wheat Board, grain shipments through the Port of Prince Rupert resumed Sunday, November 10, following an agreement between Prince Rupert Grain (PRG) and members of the Grain Workers Union (GWU). The agreement provides for the resumption of labor negotiations between PRG and the GWU. The agreement, reports the November 12 edition of *Agriline*, will let the Industrial Relations Board determine whether Vancouver terminal operators are improperly using Prince Rupert to force workers to agree to contract concessions, as the union contends. A hearing on whether Prince Rupert is a common employer will be held next month. The CWB has already urged the federal government and Cabinet to take immediate steps to avert further disruptions to Canadian grain movement and to preserve Canada's reputation as a reliable supplier of grain.

**FOUR ALBERTA FARMERS STILL IN JAIL:** According to a spokesperson representing the jailed 13 Alberta farmers, nine of the original 13 farmers jailed in Lethbridge, Alberta are no longer behind bars, after having their fines paid over the weekend, but they are far from "free."



Two of the men were released when their fines were paid by money raised in their home town communities. Others have been aided by the Free the Farmers fund, which is collecting donations from across Canada. "We have been overwhelmed with the support we have been given," the spokesperson said. "People across the country have told us that they support these men, and what they are trying to achieve. They understand it's not grandstanding, even if Goodale (Minister responsible for the Canadian Wheat Board) would like to pass it off like that." The spokesperson concluded, saying "The CWB monopoly, which only impacts grain producers in Alberta, Saskatchewan, Manitoba and a small area in BC, is wrong and has to be changed to a voluntary system. Let western grain farmers have what eastern grain farmers already enjoy, the right to sell their grain to the highest bidder anywhere in the world."

**SUMMER DROUGHT STARTS TO HIT CONSUMERS AT SUPERMARKETS:** The November 8 *Globe and Mail* reported that the summer drought is now hitting consumers as they face substantial price hikes for bread and other baked goods because flour and other ingredients are more expensive. Prices of these baked products -- and packaged flour -- are rising as much as 10%, and other wheat-based items such as cereal and pet foods could also face the same fate in the next while, supermarket officials say. They point to other factors that have driven up prices, including steeper cooking oil prices (whose basic ingredients of corn, soybean and the like have also been squeezed by the drought), as well as mounting electricity and fuel costs. Even cocoa prices have felt the heat. "The drought has had a substantial impact, right across the country and across, quite frankly, the world," said Paul Hetherington, president of the Baking Association of Canada in Mississauga. "We experienced a universal downgrading of the quantity and the quality of wheat available." Domestic manufacturers will probably produce only eight million tonnes of millable wheat this year -- about half the 15 million tonnes they usually produce, Mr. Hetherington said. And the quality of the wheat being produced is not always up to regular standards, he said.

Meanwhile, the outlook for next year doesn't look much brighter, he said. Weather forecasters are predicting more drought conditions, and suppliers will have no surplus products to tide them over, possibly pushing prices even higher. Wheat prices have soared about 50% from a year ago, said Dwayne Lee, a market analyst at the Canadian Wheat Board in Winnipeg.

**TRADE MISSION TO CHINA EXPAND B.C. FOREST PRODUCTS MARKET:** According to a British Columbia (B.C.) Ministry of Forests news release, B.C. Forests Minister Michael de Jong leaves is leading a week-long trade mission to promote B.C.'s forest products in China's emerging market. The seven-day trade mission will take the minister and a delegation of more than 50 British Columbians from industry, labor and First Nations to Shanghai, Guangzhou and Beijing. Meetings are scheduled with Chinese business leaders, the Chinese government, developers and the Beijing Olympic Committee to explore future opportunities for partnership. The mission follows up on Premier Gordon Campbell's visit to China last fall to promote B.C. forest products. This is the first major international trade mission funded and co-ordinated by Forestry Innovation Investment, the British Columbia government's investment mechanism for promoting sustainable forest management in B.C. Forestry Innovation Investment is part of the government's C\$20-million commitment to strengthen and diversify forestry markets. It recently established the Market Outreach Network, dedicated to making international customers aware of B.C.'s sustainable forest practices and policy. China has the largest number of housing starts in the world - about 10 million in 2001. While most residential and commercial buildings in China

are built from concrete or steel, there is increasing demand for cost-effective, renewable and organic construction materials like wood. China's forests yield about 60% of the demand, leaving a deficit of more than 40 million cubic meters of wood that must be imported. In 2001, China imported C\$23 million in B.C. forest products. Japan imported C\$1.4 billion in B.C. forest products during the same period.

#### U.S. GROUP FUNDED BY CANADIAN TAX DOLLARS FIGHTS SOFTWOOD TAX:

According to a November 7, 2002 article from the *Canadian Press*, a private lobby group, largely financed by Canadian tax dollars, is starting a public-relations and ad campaign in the U.S. to woo support in the softwood-lumber dispute. However, marketing experts say the \$10-million (U.S.) campaign will be hard-pressed to drum up support for what is a decidedly unsexy issue. The newly formed U.S.-Canada Partnership for Growth announced it will seek to make Americans more aware of the importance of trade between the two nations and focus attention on the punishing duties imposed on Canadian softwood. The group is led by James Blanchard, former governor of Michigan and U.S. ambassador to Canada in the 1990s, and William Brock, a retired U.S. senator from Tennessee, a labor secretary under Ronald Reagan and a former U.S. trade representative. The campaign is being bankrolled primarily by the Forest Products Association of Canada, which received C\$17 million from Ottawa last May to help raise the issue's profile in the United States. A partnership spokesman that TV and print ads will target high-growth states in the American southwest, where the 27% duty on Canadian softwood drives up house prices.

**ONTARIO WINEMAKERS PREDICTING A GREAT VINTAGE:** Ontario winemakers are predicting a spectacular 2002 vintage. The dry, hot weather this spring and summer meant that yields were slightly down from predicted levels, but the quality and concentration of fruit in the grapes harvested is excellent. Winemakers are predicting that 2002 will be one of the best vintages on record, particularly for red wines. "This vintage could rival 1995 and 1998 as among the very best we've seen in Ontario," said Paul Speck, chair of the Wine Council of Ontario. "It is especially reassuring to see the potential for our red wines this year. According to the Wine Council, local wineries have purchased over 98% of the anticipated 42,000 tonne crop. A surplus of 10,000 tonnes projected in the spring did not materialize.

**Did You Know ...**that Canadians eat more fish and shellfish than Americans? Canadian per capita consumption of fish and shellfish in 2000 was 20.5 lbs. (edible weight) whereas the Americans consumed 15.2 lbs. per capita that year. (Sources: Statistics Canada and the National Marine Fisheries Service)

#### Recent Reports from FAS/Ottawa:

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